

# REPORT

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**DATE:** January 2, 2014

**TO:** Regional Council (RC)  
Executive/Administration Committee (EAC)

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**SUBJECT:** January 2014 Federal and State Legislative Update

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## **FEDERAL**

### **President Signs Bipartisan Budget Bill**

On December 26, 2013, President Obama signed the Bipartisan Budget Act of 2013 that addresses spending cuts over the next two-years. This bipartisan deal was passed on December 18, 2013 by the U.S. Senate by vote of 64-36. The bill was crafted by Senator Patty Murray (D-WA) and Congressman Paul Ryan (R-WI). The House passed the bill six days earlier after clearing the Republican Majority House by a similarly bipartisan margin of 332-94.

The legislation removes the threat of pending sequestration cuts for FY 2014 and 2015 and provides Congressional appropriators with breathing room in both defense and nondefense discretionary accounts. Appropriators have already begun crafting legislation to provide the remainder of Fiscal Year 2014 appropriations, possibly as a single omnibus bill. The continuing resolution funding the federal government expires on January 15, 2014; Congress has until then to approve spending (i.e., appropriations) legislation, in order to avert another government shutdown.

The two-year budget raises the post-sequester discretionary spending level from a total of \$967 billion to \$1.012 trillion (an overall increase of \$45 billion), and reduces the sequestration cuts by \$63 billion. In FY 2015, discretionary spending would rise to \$1.014 billion.

With the \$63 billion in sequestration relief, the budget deal provides \$491.8 billion for nondefense discretionary spending – the segment of the budget from which the Department of Transportation and the Federal Transit Administration (FTA) are funded. This \$491.8 billion figure is an increase of \$41.5 billion from the prior nondefense discretionary spending amount of \$450.3 billion provided under the Budget Control Act of 2011 with full sequestration cuts imposed.

The budget agreement does not raise taxes, but it does raise revenue in the form of fees. The Transportation Security Administration's 9/11 fee – a per airline passenger assessment – would rise to \$5.60, is estimated to raise \$12.6 billion and will be used to fully offset the cost of the sequestration relief. The agreement also provides savings in the form of mandatory savings and nontax revenues, such as increased premiums for new federal employee contributions to pensions, reduced payments to student-loan debt collectors and cost savings from not completely refilling the strategic petroleum reserves.

## **H.R. 3636 (Blumenauer) – ‘UPDATE’ Act of 2013**

On December 3, 2013, Congressman Earl Blumenauer (D-OR) introduced the Update, Promote, and Develop America’s Transportation Essentials (UPDATE) Act of 2013, which would gradually impose a 15 cent increase in the motor fuel taxes. The proposed 15 cent increase aligns with the recommendation put forth in the Simpson-Bowles 2010 deficit reduction plan. H.R. 3636 would incrementally increase the gas tax over a three year span and after 2015 the federal gas tax would be 33.3 cents per gallon and the federal diesel tax would be 39.3 cents per gallon through the end of 2024, at which point the gas and diesel fuel taxes will revert to their current levels. There is also a “sense of Congress” clause in the bill calling for a long-term solution replacing the gas tax by 2025. A sense of Congress is non-binding and would not automatically repeal the gas tax, it merely puts in writing that it is Congress’ intention to develop a solution.

The bill provisions are consistent with SCAG’s approved 2012-35 Regional Transportation Plan, which included Congress addressing the highway trust fund imbalance through a combination of gas tax increases between now and 2025 and enactment of a longer term ‘user fee’ solution by 2025. The 15 cent gas tax increase analyzed by SCAG’s independent research projected many economic benefits, including a 24 percent decrease in per day/per capita regional congestion delay by 2035. SCAG President Greg Pettis provided a press statement in support of the bill, stating “SCAG applauds Congressman Blumenauer’s proposal as a prudent step toward fortifying the Highway Trust Fund while we look for a longer-term solution to our national transportation funding dilemma. We recognize that the economy and job creation are at the top of our voters’ minds. Remaining globally competitive and ensuring our goods to market and workers to jobs has to be a national investment. The gas tax has not been adjusted in more than 22 years and highway maintenance is not in a state of good repair.”

The Board of Directors of the Coalition for America’s Gateways and Trade Corridors, of which SCAG is a member organization, voted on Dec. 2 to support the bill. In addition, at Rep. Blumenauer’s press conference announcing introduction the bill, a number of other industry groups and companies shared their support for a gas tax increase, including the U.S. Chamber of Commerce, American Trucking Associations (ATA), UPS, AAA, Laborers International Union of North America (LIUNA), American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), American Road and Transportation Builders Association (ARTBA), the Association of Equipment Manufacturers, and the American Society of Civil Engineers.

A copy of the bill as introduced can be accessed at the following link:

<https://www.govtrack.us/congress/bills/113/hr3636/text>

Staff will continue to monitor the legislation and provide updates to the LCMC Committee and the Regional Council as it progresses through the Ways and Means Committee.

## **Update of MAP-21 Freight Implementation**

The Moving Ahead for Progress in the 21st Century Act (MAP-21) includes a number of provisions to improve the condition and performance of the national freight network. This includes the development of a National Freight Strategic Plan (NFSP) in consultation with states and other stakeholders, as well as the establishment of a national freight network (NFN). The statutory language in MAP-21 limits the designation to highways only and caps total mileage at 27,000 centerline miles of existing roadways, resulting in an incomplete network nationally. Out of the 27,000 miles initial draft PFN designations,

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California's share of designation totals about 2,789 miles while the SCAG region totals about 1,310 centerline miles. Recognizing statutory constraints and limitations of the 27,000 mile PFN, U.S. DOT staff employed a designation methodology resulting in a more comprehensive network of approximately 41,000 centerline miles to fill in some of the gaps.

On November 19, 2013, the Federal Highway Administration (FHWA) released the draft Primary Freight Network (PFN) as part of the NFN designation and solicited comments from stakeholders. Additionally, as reported previously to the Regional Council, the National Freight Advisory Committee (NFAC) was established to provide information, advice, and recommendations to the U.S. Secretary of Transportation on the implementation of the freight provisions of MAP-21, including the development of the National Freight Strategic Plan. California's representatives on the NFAC include: Bonnie Lowenthal, California State Assembly Member; Fran Inman, Senior Vice President, Majestic Realty Co. and Member, California Transportation Commission; Kristin Decas, CEO & Port Director, Port of Hueneme, California; Genevieve Giuliano, Professor, Director, & Senior Associate Dean, University of Southern California Sol Price School of Public Policy; and Randell Iwasaki, Executive Director, Contra Costa Transportation Authority.

To date, the NFAC has convened two (2) full committee meetings and has established six (6) subcommittees:

1. Conditions, Performance, and Data (CPD)
2. Safety, Security, and Environment (SSE)
3. Project Delivery and Operations (PDO)
4. Research, Innovation, and Technology (RIT)
5. International Freight Strategies and Operations (IFSO)
6. First and Last Mile (FLM)

Out of California's five (5) representatives, three (3) are serving as Co-Chairs of the subcommittees. Bonnie Lowenthal is Co-Chair of the Safety, Security, and Environment Subcommittee; Fran Inman is Co-Chair of the Project Delivery and Operations Subcommittee; and Randell Iwasaki is Co-Chair of the Research, Innovation, and Technology Subcommittee.

By October 1, 2015, the U.S. Department of Transportation (DOT) will develop the National Freight Strategic Plan (a draft in late 2014) and provide an update every five (5) years thereafter. They will be reviewing the recommendations from the NFAC for incorporation into the National Freight Strategic Plan.

Concurrently, the California Department of Transportation (Caltrans) is developing the California Freight Mobility Plan (CFMP). Caltrans, in collaboration with the California Transportation Agency (CalSTA), established the California Freight Advisory Committee (CFAC) in response to guidance provided in MAP-21. The CFAC meets quarterly to participate in the development of the CFMP. SCAG is a member of the CFAC. SCAG staff has been coordinating with Caltrans and regional partner agencies in assisting with the development of the statewide freight plan, the CFMP. The CFMP is due on or before December 31, 2014, and every five (5) years thereafter.

SCAG staff is currently collaborating on the draft PFN before the DOT comment deadline later this month, working in coordination with regional partners and the California Department of Transportation.

This subject is also on the Transportation Committee agenda for discussion and comment. Staff will provide updates at key intervals to apprise the Regional Council of the work of both the National Freight Advisory Committee and the California Freight Advisory Committee with respect to the development of their plans and attendant regional impacts.

## **Major Metropolitan Areas Freight Principles in the Next Transportation Reauthorization Legislation**

SCAG and other major metropolitan planning organizations (MPOs) from around the country are working together on a coordinated Congressional message on freight principles addressing the needs of the nation's major metropolitan areas in advance of the next transportation reauthorization bill expected in the spring. Participants in this collaborative effort include MPOs from Atlanta, Chicago, Dallas-Ft. Worth, Phoenix, Miami, Boston, Detroit, Houston, Los Angeles, Philadelphia, San Diego, San Francisco Bay Area, Seattle, and others.

While these principles are still being refined, key provisions include: the restoration of the \$2 Billion per year funding dedicated to freight and goods movement infrastructure programs originally included in MAP-21 prior to being stricken in conference committee; the establishment of dedicated funding for freight that would be awarded through a competitive grant (not formula) program, under which major metropolitan regions have traditionally performed well and for which there can be demonstrated a greater overall need for these scarce resources; expansion of the National Primary Freight Network to be multimodal and to be updated every 5 years by DOT (rather than every 10 years currently spelled out in MAP 21). Staff will continue to keep the LCMC and the Regional Council advised as these principles are further refined by the major MPOs.

## **Senate Committee Reviews Effectiveness of the Renewable Fuel Standard Program**

On December 11, 2013, the Senate Environment and Public Works Committee, chaired by Senator Barbara Boxer (D-CA) held a hearing titled "Oversight Hearing on Domestic Renewable Fuels" to assess the progress of the Renewable Fuel Standard (RFS) program, which lays a foundation for reducing greenhouse gas emissions and reducing America's dependence on imported oil by growing the nation's renewable fuels sector. The RFS began in 2006 pursuant to the requirements in the Clean Air Act and has been subsequently amended by the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. These provisions established new year-by-year volume standards for renewable fuel that generally must be used in transportation fuel, reaching a total of 36 billion gallons by 2022, including 21 billion gallons of advanced biofuels. The revised statutory requirements also included new definitions and criteria for both renewable fuels and the feed stocks used to produce them, including greenhouse gas emission thresholds. On November 29, the EPA published in the Federal Register a notice of proposed rulemaking that would establish the annual RFS volume requirements for 2014.

Scott Faber, speaking for the Environmental Working Group (EWG), argued that thus far, the RFS has failed to deliver on its promise to reduce greenhouse gas emissions because it has emphasized the production of such biofuels as corn ethanol – a fuel that causes increased harm to the environment and inflates the price of staple foods, he argued – at the expense of other biofuels. He cited a Congressional Budget Office report that found that the growth in ethanol production “has exerted upward pressure on the price of corn, and ultimately, on the retail price of food, affecting both individual consumers and federal expenditures on nutritional support programs,” increasing that spending by up to \$900 million in one year. He also cited the fact that a \$1 increase in the price of a bushel of corn corresponds to a 5.5%

increase in the price of eggs and a 2.1% in the price of milk. With the nation's largest dairy production sector, California farmers are largely affected by increases in feed prices. EWG proposed a reform to the RFS that would level the playing field for developers and producers of other biofuels.

In a rebuttal of many of the claims made by EWG, Brooke Coleman of the Advanced Ethanol Council argued that the RFS is a flexible program that is working well as designed. Included in his testimony is a reference to the progress report on the cellulosic biofuel industry published by the Advanced Ethanol Council that found that the industry is breaking through at commercial scale, and included several profiles of American companies in the industry, including one located in Anaheim, CA called BlueFire that was established to deploy the Arkenol Process Technology for the conversion of cellulosic waste materials into renewable fuels and other products. According to the profile, BlueFire is the exclusive North America licensee of the technology, which converts widely available, inexpensive, organic materials such as agricultural residues, wood residues, municipal solid wastes and purpose grown energy crops into renewable end products. For more information, please visit: [http://www.epw.senate.gov/public/index.cfm?FuseAction=Hearings.Testimony&Hearing\\_ID=c30fd6c6-c92b-013d-741d-ebbeefd81e87&Witness\\_ID=e6961311-37b7-4d26-852e-a9445b1f89f7](http://www.epw.senate.gov/public/index.cfm?FuseAction=Hearings.Testimony&Hearing_ID=c30fd6c6-c92b-013d-741d-ebbeefd81e87&Witness_ID=e6961311-37b7-4d26-852e-a9445b1f89f7)

### **California Lawmakers Call on Governor and the President to Declare Drought Emergency**

Due to California's dire water supply conditions, as evidenced by the November 20, 2013 announcement by the California Department of Water Resources of the lowest initial water allocation to date for the State Water Project and the acknowledgment by the United States Bureau of Reclamation that without precipitation, there may be a 0% initial allocation for Central Valley Project South of Delta contractors, California lawmakers called on Governor Jerry Brown and President Barack Obama to declare a state of drought emergency. Senator Dianne Feinstein and Representative Jim Costa (Fresno) co-authored a letter to the Governor outlining the justification and the advantages of such a declaration, and urged that the he request a broad federal disaster declaration from the President. A separate letter signed by dozens of California lawmakers also requested that the governor take action.

According to the letter, if a state drought emergency is declared, a number of additional state and federal authorities will be triggered to mitigate the harmful effects of the ongoing drought conditions. The State Emergency Plan can be activated and a number of state statutes or regulations can be relaxed or suspended to provide officials with the discretion to manage limited water resources most effectively. Additionally, a federal declaration would authorize federal agencies to assist by expediting water transfers, assist with infrastructure improvements and additional flexibilities in regulatory decision-making. The letter also includes a request from Sen. Feinstein and Rep. Costa for an update to the California Drought Contingency Plan to include new options and technologies to address ongoing drought conditions and that the State Water Action Plan be updated with a greater emphasis on this year's immediate needs.

For the complete letter from Sen. Feinstein and Rep. Costa, please visit: [http://costa.house.gov/images/pdfs/Feinstein\\_Watersupply120913.pdf](http://costa.house.gov/images/pdfs/Feinstein_Watersupply120913.pdf)

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## **STATE**

On January 1, 2014 more than 800 new bills went into effect in California. Staff previously provided an end of session summary of the bills that SCAG Board was monitoring which were enacted.

The League of California Cities has recently compiled its report on all of the new state statutes passed in 2013 that affect local government, indexed and cross-referenced both by bill number and subject matter.

You may access the report at the following link:

<http://www.cacities.org/UploadedFiles/LeagueInternet/80/80b4dacc-4ecd-4866-9570-a2055cc8c5ff.pdf>

### **California Releases Climate Change Report**

On December 9, 2013, Governor Brown's administration released the draft "Safeguarding California Plan" to outline key actions needed to ready the state for the impacts of changing climate. According to a press release from the California Natural Resources Agency, the plan is intended to help lessen the impacts and cope with changes brought about by extreme weather, rising sea levels, and decreasing snowpack that will touch every part of life in California over the next century.

The Safeguarding California Plan provides policy guidance for state decision makers, and is part of the state's coordinated efforts to reduce impacts and prepare for climate risks. This plan, which is an update to the 2009 California Climate Adaptation Strategy, highlights climate risks in nine sectors, discusses progress to date, and makes sector-specific recommendations. The nine areas the report outlines for improvement include: (1) urban water use plans, (2) smart grid connectivity, (3) reduction of heat-related illnesses that are responsible for hospitalizations and death, (4) reducing carbon output, (5) habitat connectivity for increased chances of species adaptation, (6) forest and other habitat resilience, (7) scientific study to highlight and understand risks, (8) assess adequacy of emergency responders, and (9) cooperation between local, state and federal government.

You may access the draft Safeguarding California Plan at the following link: [http://resources.ca.gov/climate\\_adaptation/docs/Safeguarding\\_California\\_Public\\_Draft\\_Dec-10.pdf](http://resources.ca.gov/climate_adaptation/docs/Safeguarding_California_Public_Draft_Dec-10.pdf). For more information about California's efforts to safeguard the state from a changing climate and to find out how to comment on the plan, you may visit: [http://resources.ca.gov/climate\\_adaptation/](http://resources.ca.gov/climate_adaptation/)

### **GO-Biz to Hold Public Workshops on California Competes Tax Credit**

Beginning December 17, 2013, the Governor's Office of Business and Economic Development (GO-Biz) is holding a series of public workshops in the Southern California area designed to receive feedback on the proposed regulations governing the California Competes Tax Credit. SCAG staff participated in the Southern California workshop held on December 19, 2013 in Glendale, and will solicit further input from members of SCAG's Global Land-Use and Economic (GLUE) advisory council how this program can benefit business and economic growth throughout the region. Included as part of the Governor's Economic Development Initiative, the California Competes Tax Credit is an income tax credit available to businesses that want to come to California or stay and grow in the state. Tax credit agreements will be negotiated by GO-Biz and approved by a newly created "California Competes Tax Credit Committee," consisting of the State Treasurer, the Director of the Department of Finance, the Director of GO-Biz, one appointee from the Senate, and one appointee from the Assembly. Additional information on the California Competes Tax Credit, including the public workshop schedule, may be accessed at the following link: <http://business.ca.gov/Programs/CaliforniaCompetes.aspx>

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## 45<sup>th</sup> Assembly District Special Election

On November 19, 2013, Democrat Matt Dababneh won the run-off to the special to represent the 45th Assembly District in the northwest San Fernando Valley over Republican candidate Susan Shelley. The initial count reported Dababneh's lead of 173 votes out of more than 29,000 cast. Following the final count of provisional and absentee ballots, Dababneh's lead increased to 329 votes. Ms. Shelley challenged the election results but, after one day of recount, conceded the race to Mr. Dababneh. The result of this election enables the Democratic party to reclaim a two-thirds supermajority in the California State Assembly.

## California Legislative Deadlines

Included for your information below are the relevant constitutional, statutory and by-rule deadlines for the California legislature in 2014.

### January Deadlines

- **Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).
- **Jan. 6** Legislature reconvenes (J.R. 51(a)(4)).
- **Jan. 10** Budget Bill must be submitted by Governor (Art. IV, Sec. 12(a)).
- **Jan. 17** Last day for **policy committees** to meet and report bills introduced in their house in 2013 for referral to **fiscal committees** (J.R. 61(b)(1)).
- **Jan. 20** Martin Luther King, Jr. Day observed.
- **Jan. 24** Last day to submit **bill requests** to the Office of Legislative Counsel. Last day for any committee to meet and report to the **Floor bills** introduced in their house in 2013 (J.R. 61(b)(2)).
- **Jan. 31** Last day for each house to pass **bills** introduced in their house in 2013 (Art. IV, Sec. 10(c)) (J.R. 61(b)(3)).

### February Deadlines

- **Feb. 17** Presidents' Day observed.
- **Feb. 21** Last day for bills to be **introduced** (J.R. 61(b)(4), J.R. 54(a)).

### March Deadlines

- **Mar. 31** Cesar Chavez Day observed.

### April Deadlines

- **Apr. 10** **Spring Recess** begins upon adjournment (J.R. 51(b)(1)).
- **Apr. 21** Legislature reconvenes from Spring Recess (J.R. 51(b)(1)).

### May Deadlines

- **May 2** Last day for **policy committees** to meet and report to Fiscal Committees **fiscal bills** introduced in their house (J.R. 61(b)(5)).
- **May 9** Last day for **policy committees** to meet and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).
- **May 16** Last day for **policy committees** to meet prior to June 2 (J.R. 61(b)(7)).
- **May 23** Last day for **fiscal committees** to meet and report to the floor bills introduced in their house (J.R. 61(b)(8)). Last day for **fiscal committees** to meet prior to June 2 (J.R. 61(b)(9)).
- **May 26** Memorial Day observed.
- **May 27 - 30** **Floor session only**. No committee may meet for any purpose (J.R. 61(b)(10)).
- **May 30** Last day to pass bills out of house of origin (J.R. 61(b)(11)).

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## June Deadlines

- **June 2** Committee meetings may resume (J.R. 61(b)(12)).
- **June 15** Budget bill must be passed by midnight(Art. IV, Sec. 12(c)(3)).
- **June 26** Last day for a legislative measure to qualify for the Nov. 4 General Election ballot (Elections Code Sec. 9040).
- **June 27** Last day for **policy committees** to meet and report bills (J.R. 61(b)(13)).

## July Deadlines

- **July 3 Summer Recess** begins upon adjournment, provided Budget Bill has been passed (J.R. 51(b)(2)).
- **July 4** Independence Day observed.

## August Deadlines

- **Aug. 4** Legislature reconvenes from **Summer Recess** (J.R. 51(b)(2)).
- **Aug. 15** Last day for **fiscal committees** to meet and report bills to the floor (J.R. 61(b)(14)).
- **Aug. 18 - 31 Floor Session Only.** No committee may meet for any purpose (J.R. 61(b)(15)).
- **Aug. 22** Last day to **amend** bills on the Floor (J.R. 61(b)(16)).
- **Aug. 31** Last day for **each house to pass bills** (Art. IV. Sec. 10(c), J.R. 61(b)(17)). **Final Recess** begins upon adjournment (J.R. 51(b)(3)).

## IMPORTANT DATES OCCURRING DURING FINAL RECESS

### 2014

- **Sep. 30** Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).
- **Oct. 2** Non-urgency bills enacted on or before this date take effect January 1, 2015. (Art. IV, Sec. 8(c)).
- **Nov. 4** General Election.
- **Nov. 30** Adjournment *sine die* at midnight (Art. IV, Sec. 3(a)).
- **Dec. 1** 2015-16 Regular Session convenes for Organizational Session at 12 noon. (Art. IV, Sec.3(a)).

### 2015

- **Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).

## Summary

Staff has previously distributed legislative priorities for the next session based upon Board adopted direction. They were highlighted at the recent December 5<sup>th</sup> Economic Summit. Staff has made arrangements for a Sacramento Legislative Reception on March 19<sup>th</sup>. Interested Regional Council members are invited to participate. Staff will review the legislative priorities with the LCMC and the RC at the February and March meetings preceding the reception.